

Message Text

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ACTION EB-11

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DEPT. PASS EX-IM BANK

COMMERCE FOR MAJOR PRODUCTS DIVISION

E. O. 11652: N/A

TAGS: ENRG, BEXP, AU

SUBJECT: WESTINGHOUSE BOWS OUT OF AUSTRIA'S SECOND NUCLEAR
POWER PROJECT

REF: A. STATE 167656 (NOTAL); VIENNA 5337

SUMMARY: WESTINGHOUSE HAS BACKED OUT OF COMPETITION FOR AUSTRIA'S
SECOND NUCLEAR POWER PLANT, LEAVING GE AND BABCOCK & WILCOX
THE REMAINING U.S. CONTENDERS. IN VIEW OF STRONG POSITION
OF GERMAN FIRM KRAFTWERDUNION, SUGGEST DEPARTMENT URGE GE
AND BABCOCK & WILCOX TO REDOUBLE THEIR EFFORTS HERE. BOTH COMPANIES
SHOULD MAKE MAXIMUM USE OF OPPORTUNITIES PROVIDED BY PRESENCE
OF LARGE AUSTRIAN DELEGATION TO DETROIT WORLD ENERGY CONFERENCE.

1. DIRECTOR OF WESTINGHOUSE'S VIENNA OFFICE, JAMES SCHILLING,
INFORMED EMBASSY YESTERDAY THAT WESTINGHOUSE HAS DECIDED TO
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BOW OUT OF THE COMPETITION FOR AUSTRIA'S SECOND NUCLEAR PROJECT.

THE DECISION WAS CONVEYED TO AUSTRIAN AUTHORITIES AT A MEETING HERE ON MONDAY AND HAS BEEN CONFIRMED IN A FOLLOW-UP LETTER BY WESTINGHOUSE TO AUSTRIAN NUCLEAR POWER PLANNING OFFICIALS. SCHILLING INDICATED THAT THE DECISION WAS MADE AT CORPORATE HEADQUARTERS IN PITTSBURGH AND WAS BASED UPON THE FOLLOWING THREE FACTORS:

A. BECAUSE OF ITS HEAVY COMMITMENTS BOTH IN TERMS OF ENGINEERING MANPOWER AND COMPONENTS IN OTHER PROJECTS IN WESTERN EUROPE AND THE U.S., THE COMPANY COULD NOT MEET THE SCHEDULING REQUIREMENTS OF THE AUSTRIANS.

B. WHILE THE AUSTRIANS HAVE NOT FINALLY DECIDED ON A TURNKEY OPERATION, IT IS WESTINGHOUSE'S JUDGEMENT THAT THE AUSTRIANS WILL OPT FOR THIS, AND IT IS NOW COMPANY POLICY NOT TO ACCEPT RESPONSIBILITY FOR TURNKEY NUCLEAR OPERATIONS. IN THIS CONNECTION, SCHILLING INDICATED THAT WESTINGHOUSE HAS SUSTAINED FINANCIAL LOSSES IN PAST INVOLVEMENTS IN NUCLEAR TURNKEY OPERATIONS.

C. AUSTRIANS HAVE ADOPTED WITH SOME MODIFICATIONS GERMAN CODES AND STANDARDS AND LICENSING CRITERIA (FOR SAFETY, INSULATION SPECIFICATIONS, ETC.). THESE WOULD INVOLVE DESIGN MODIFICATIONS WHICH WOULD REQUIRE ADDITIONAL COSTS WHICH WESTINGHOUSE DOES NOT HAVE TO CONTEND WITH IN OTHER EUROPEAN COUNTRIES. SCHILLING EMPHASIZED THAT ONE YEAR AGO WESTINGHOUSE WAS ACTIVELY SEEKING NUCLEAR BUSINESS AND MIGHT HAVE BEEN PREPARED TO INCUR ADDITIONAL EXPENSES TO MEET AUSTRIAN STANDARDS AND LICENSING REQUIREMENTS. GIVEN ITS NEW MARKETING SITUATION, HOWEVER, THE COMPANY DOES NOT FEEL THAT IT CAN DO SO AT THIS TIME.

2. SCHILLING BELIEVES WESTINGHOUSE'S DECISION IS FINAL, AND HE IS AWARE OF NO FACTORS THAT MIGHT CAUSE THE COMPANY'S TOP MANAGEMENT TO RECONSIDER, ALTHOUGH HE DID NOT RULE THIS OUT AS A REMOTE POSSIBILITY.

3. SCHILLING'S PERSONAL JUDGEMENT AT THIS JUNCTURE IS THAT KRAFTWERKUNION (KWU) IS IN THE BEST POSITION TO WIN THE SECOND NUCLEAR AWARD. (DRAFTWERKUNION WON THE FIRST NUCLEAR AWARD IN A CLOSE RACE WITH WESTINGHOUSE.) KWU, WHICH IS A 50-50 PARTNERSHIP OF SIEMENS AND AEG, WOULD BE ABLE TO PROVIDE EITHER A BOILING WATER OR PRESSURIZED REACTOR, AND SCHILLING BELIEVES AUSTRIANS WILL OPT THIS TIME FOR A PRESSURIZED REACTOR.

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4. SUGGEST DEPARTMENT CHECK AT APPROPRIATELY HIGH LEVEL WITH WESTINGHOUSE'S PITTSBURGH HEADQUARTERS TO DETERMINE IF DECISION IS IN FACT IRREVERSIBLE. IF IT IS, THIS LEAVES GE AND BABCOCK & WILCOX AS REMAINING AMERICAN CONTENDERS STILL IN THE PICTURE.

5. IN THIS CONNECTION, A LARGE AUSTRIA DELEGATION INCLUDING MANY OF THE KEY DECISION MAKERS ON NUCLEAR POWER MATTERS

WILL BE ATTENDING THE DETROIT WORLD ENERGY CONFERENCE SEPTEMBER 23-27. WE UNDERSTAND THAT BABCOCK & WILCOX HAS ALREADY ARRANGED FOR ONE OF THE AUSTRIAN PARTICIPANTS, DR. ERBACHER, PRESIDENT OF THE FEDERAL POWER CO., TO CONSULT WITH THEIR U.S. HEADQUARTERS. WE HAD PREVIOUSLY SUGGESTED TO BOTH WESTINGHOUSE AND GE THAT THEY ATTEMPT TO MAKE SIMILAR ARRANGEMENTS TO TAKE ADVANTAGE OF PRESENCE OF AUSTRIAN DELEGATION IN U.S.

6. GE'S PROJECT OFFICER FOR AUSTRIA'S SECOND NUCLEAR POWER PLANT, DONALD EBRIGHT, TOLD EMBASSY TODAY THAT HIS COMPANY CONTINUES TO BE ACTIVELY ENGAGED IN SEEKING CONTRACT, AND THAT GE REPRESENTATIVES WILL BE IN VIENNA LATER THIS MONTH FOR FURTHER TALKS WITH AUSTRIANS. HE ALSO INDICATED THAT GE HAS INVITED AUSTRIAN DELEGATION TO WORLD ENERGY CONFERENCE, TO A SPECIAL RECEPTION, AND HAS ARRANGED FOR KEY MEMBERS OF AUSTRIAN DELEGATION TO VISIT GE'S WILMINGTON PLANTS.

7. DONALD DAVIES OF BABCOCK-BROWN-BOVERI IN MANNHEIM HAS WRITTEN TO AMBASSADOR OUTLINING PLANS OF BABCOCK-BROWN-BOVERI CONSORTIUM TO SUBMIT BID FOR AUSTRIAN PROJECT, INDICATING THAT HIS COMPANY IS OPTIMISTIC ON ITS CHANCES. ACCORDING TO DAVIES' LETTER, PRESENT PLAN IS THAT MOST OF EQUIPMENT CONSORTIUM WOULD SUPPLY WOULD COME FROM EUROPE, AND IT HAS NOT YET BEEN CLARIFIED WHETHER EX-IM FINANCING WOULD BE POSSIBLE UNDER THOSE CIRCUMSTANCES. DAVIES PLANS TO VISIT VIENNA IN OCTOBER AND WILL CALL ON AMBASSADOR AT THAT TIME.

8. DECISION OF WESTINGHOUSE TO BACK OUT IS OBVIOUSLY DISAPPOINTING FROM STANDPOINT OF U.S INTERESTS HERE. SUGGEST DEPARTMENT CONTACT GE AND BABCOCK & WILCOX MANAGEMENT TO IMPRESS ON THEM NEED TO REDOUBLE THEIR EFFORTS. EMBASSY WILL, OF COURSE, DO ALL IT CAN TO ASSIST THEM. HUMES

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